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WASHINGTON

CIA Director William J. Casey, recovering from surgery for a brain tumor, has resigned and will be replaced by his deputy, Robert Gates, a 20-year veteran of the spy agency, the White House announced today.

"It was Mr. Casey's decision to resign," said presidential spokesman Marlin Fitzwater. He said Casey, a longtime friend of Reagan's, would become a presidential counselor when and if he can return to work.

"The doctors indicate they expect a full recovery," said Fitzwater. "I don't know exactly what that means nor do I know what the timing is." The resignation came at a time that many questions were being asked about the CIA's middleman role in clandestine arms sales to Iran.

Some members of Congress maintain the agency failed to comply with laws requiring that intelligence committees be kept abreast of such dealings. Casey, however, has held that he did not break the law.

The president has not talked with Casey since he entered the hospital but "will call him as soon as he feels it's appropriate," Fitzwater said.

Reagan met with Gates in an unannounced meeting in the Oval Office on Friday to discuss the CIA job and "putting the agency back on course following the director's illness," Fitzwater said.

On Capitol Hill, Sen. Claiborne Pell, D-R.I. and the chairman of the Senate Foreign Relations Committee, commented, "I have known and liked Bill Casey for many years and believe he has done the right thing in resigning at this time." "I particularly look forward to working with Robert Gates, who is a professional in this field, and for whom I have high regard," Pell added.

Rep. Louis Stokes, D-Ohio, the chairman of the House Select Committee on Intelligence, said he regretted to learn of Casey's resignation, adding, "While we did not always agree, I respected him." Stokes said the naming of Gates as Casey's successor was "an excellent choice." Fitzwater said Casey continues to improve steadily, is alert and has visited with other patients at Georgetown University Hospital.

A hospital spokeswoman, Cynthia Bowers, said Casey "will continue to receive radiation treatments and physical therapy for some weeks at the hospital as an in-patient." Last Friday, CIA spokesman George Lauder said Casey had called colleagues at the agency over the previous week and had requested and been sent briefing papers on current intelligence matters.

Casey, 73, was named to head the spy agency in 1981 after helping manage Reagan's campaign for the presidency. Earlier, he served as chairman of the Securities and Exchange Commission and had held other posts during the Nixon and Ford administrations.

Gates, who first joined the CIA in 1966 as an intelligence analyst, has been serving as acting director since Casey was hospitalized in December. He will continue to run the agency on an acting basis while his nomination is considered by the Senate.

Fitzwater said Casey had sent a letter to Reagan announcing his resignation. Reagan accepted it "with reluctance and deep regret," Fitzwater said.

Attorney General Edwin Meese III and White House chief of staff Donald Regan visited Casey in his hospital room last Thursday. At that time, Fitzwater said, "he volunteered his resignation." Casey entered the hospital and underwent surgery for a brain tumor Dec. 18, shortly before he was to return to Capitol Hill to continue testifying about the Iran-Contra affair. During his hospitalization, it also was disclosed that he had been treated earlier for cancer of the prostate.

On Capitol Hill, Casey has testified at length about the CIA's role in arms shipments to Iran. He conceded that the intelligence agency became involved in the secret dealings with Iran in the summer and fall of 1985, before Reagan issued formal authorization.

However, Casey said he did not learn until October 1986 that profits from those shipments may have been diverted to the Nicaraguan Contra rebels and that he did not know for certain until told by Meese on Nov. 24, a day before the scheme was publicly disclosed.

Casey's testimony prompted some members of Congress to criticize his apparent lack of knowledge about the diversion of funds, which reportedly began in early 1986.

Casey's resignation comes five days after a Senate Select Committee on Intelligence report said that his testimony on the CIA role in the Iran arms deal "was general in nature" and left many unanswered questions.

Casey testified in closed session before the panel "before the full scope of the situation was known" and was not under oath, the report said.

Although the report consistently describes Casey as an advocate of the arms sales, it does not spell out his exact role in debates over the matter within administration, nor does it give his views on the actions of CIA officers who assisted in the arms transfers and diversion of funds to help the Nicaraguan guerrillas.

In its conclusion, the report said the panel was unable to answer the question: "What role did the CIA and other U.S. government agencies or their officials play in planning and implementing the sale of arms to Iran and the possible diversion of funds to the Nicaraguan resistance?" CIA involvement in the episode began in May 1985 when an agency analyst prepared a report "arguing for a change in U.S. policy that would seek a more constructive relationship with Iranian leaders interested in improved ties with the West," the report said.

Agency analysts later took a more skeptical view of the Iranian leadership, but CIA officials played important liaison roles in delivering U.S. arms to Iran, the report said.

And sources said that some CIA officials in Central America were aware of, and played roles in, delivering aid to the Contra rebels despite a ban on U.S. government assistance from October 1984 to October 1986.

At least one agency official, deputy director John McMahon, protested the White House use of the CIA in the affair, including diversion of "intelligence samples" to Tehran and the use of an agency-controlled airline to deliver arms to Iran. The agency was told the cargo was oil drilling parts, the report said.

As reports circulated last month that Casey might not return to the CIA, former deputy agency director Bobby Inman said Gates "has had enough contact with Reagan at Cabinet and National Security Council meetings so that he understands how little time the president has and knows how precise and concise you have to be." Inman added that, during Casey's illness, Gates had finished shepherding a new budget that Inman said he had been told deals generously with intelligence.

While Gates is not as close to Reagan as Casey is, Inman noted that "in the last two years of an administration you need expertise, not closeness." Gates' service at the CIA was interrupted by a six-year stint at the NSC, from 1974 until late 1979.

In January 1982, he was appointed the deputy CIA director for intelligence. In September 1983, Casey appointed Gates as chairman of the National Intelligence Council, concurrent with his job as deputy director.

As chief of the council, Gates directed the preparation of all national intelligence estimates done by the intelligence community.